

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Selma Township	County Wexford
Fiscal Year End 6/30/2007	Opinion Date October 2, 2007	Date Audit Report Submitted to State November 21, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

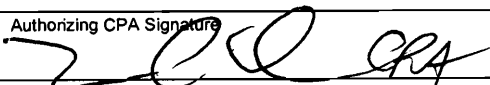
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Letter of significant deficiencies	
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789	
Street Address 134 W. Harris Street		City Cadillac	State MI
		Zip 49601	
Authorizing CPA Signature 		Printed Name Michael D. Cool, C.P.A.	License Number 1101023146

**SELMA TOWNSHIP, WEXFORD COUNTY**

**CADILLAC, MICHIGAN**

**JUNE 30, 2007**

***Baird, Cotter and Bishop, P.C.***

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

JUNE 30, 2007

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# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

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October 2, 2007

### INDEPENDENT AUDITORS' REPORT

To the Township Board  
Selma Township  
Wexford County  
Cadillac, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Selma Township, Wexford County, Cadillac, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Selma Township, Wexford County, Cadillac, Michigan, as of June 30, 2007, and the respective changes in financial position and, where applicable cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages iii through xi and budgetary comparison information on page 27-28 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Selma Township, Wexford County, Cadillac, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a

required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

Selma Township, a general law township located in Wexford County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Selma Township board's discussion and analysis of the financial results for the fiscal year ended June 30, 2007, along with specific comparative information as required.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$1,911,263. Of this amount, \$654,634 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$753,768 an increase of \$30,028 in comparison with the prior year. \$483,992 is available for spending at the Township's discretion.
- ◆ The business-type activities ended the year with net assets of \$642,912, a decrease of \$20,768 from the prior year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** This report includes government-wide statements as required by GASB 34. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.



SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

### **Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

***Proprietary Funds*** – The Township maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund since it is considered to be a major fund of the Township.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$1,911,263 at June 30, 2007, meaning the Township's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

**Selma Township**  
**Net Assets as of June 30,**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Current Assets	\$ 787,047	\$ 805,106	\$ 80,957	\$ 118,027	\$ 868,004	\$ 923,133
Non Current Assets						
Capital Assets	1,145,478	1,074,463	1,221,644	1,221,644	2,367,122	2,296,107
Less: Accumulated Depreciation	525,800	467,965	659,689	635,256	1,185,489	1,103,221
Total Non Current Assets	619,678	606,498	561,955	586,388	1,181,633	1,192,886
<b>Total Assets</b>	<b>\$ 1,406,725</b>	<b>\$ 1,411,604</b>	<b>\$ 642,912</b>	<b>\$ 704,415</b>	<b>\$ 2,049,637</b>	<b>\$ 2,116,019</b>
<b>Liabilities</b>						
Current Liabilities	\$ 49,023	\$ 87,467	\$ 0	\$ 40,735	\$ 49,023	\$ 128,202
Long-Term Liabilities	89,351	134,027	0	0	89,351	134,027
Total Liabilities	138,374	221,494	0	40,735	138,374	262,229
<b>Net Assets</b>						
Invested in Capital Assets						
Net of Related Debt	485,652	427,796	561,955	586,388	1,047,607	1,014,184
Restricted	209,022	208,554	0	0	209,022	208,554
Unrestricted	573,677	553,760	80,957	77,292	654,634	631,052
<b>Total Net Assets</b>	<b>1,268,351</b>	<b>1,190,110</b>	<b>642,912</b>	<b>663,680</b>	<b>1,911,263</b>	<b>1,853,790</b>
<b>Total Liabilities</b>						
<b>and Net Assets</b>	<b>\$ 1,406,725</b>	<b>\$ 1,411,604</b>	<b>\$ 642,912</b>	<b>\$ 704,415</b>	<b>\$ 2,049,637</b>	<b>\$ 2,116,019</b>

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$654,634 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The total net assets of the Township increased by \$57,473 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

**Selma Township**  
**Change in Net Assets**  
**for the Fiscal Year Ended June 30,**

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total Primary</b>	
	<b>Activities</b>		<b>Activities</b>		<b>Government</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b><u>Revenues</u></b>						
<b>Program Revenues</b>						
Charges for Services	\$ 14,346	\$ 14,048	\$ 84,880	\$ 85,670	\$ 99,226	\$ 99,718
Operating Grants and Contributions	30,069	30,085	0	0	30,069	30,085
Capital Grants and Contributions	0	78,293	0	0	0	78,293
<b>General Revenues</b>						
Taxes	147,283	135,075	0	0	147,283	135,075
State Grants	128,807	131,438	0	0	128,807	131,438
Interest Earnings	30,465	12,628	0	418	30,465	13,046
Other	492	185	0	0	492	185
<b>Total Revenues</b>	<b>351,462</b>	<b>401,752</b>	<b>84,880</b>	<b>86,088</b>	<b>436,342</b>	<b>487,840</b>
<b><u>Expenses</u></b>						
Legislative	6,688	7,037	0	0	6,688	7,037
General Government	110,557	94,253	0	0	110,557	94,253
Public Safety	75,549	30,523	0	0	75,549	30,523
Public Works	12,146	30,902	0	0	12,146	30,902
Culture and Recreation	33,234	42,407	0	0	33,234	42,407
Other Functions	29,060	28,170	0	0	29,060	28,170
Debt Service	5,987	7,372	0	0	5,987	7,372
Sewer	0	0	105,648	106,143	105,648	106,143
<b>Total Expenses</b>	<b>273,221</b>	<b>240,664</b>	<b>105,648</b>	<b>106,143</b>	<b>378,869</b>	<b>346,807</b>
Changes in Net Assets	78,241	161,088	(20,768)	(20,055)	57,473	141,033
<b><u>NET ASSETS</u></b> - Beginning of Year	<b>1,190,110</b>	<b>1,029,022</b>	<b>663,680</b>	<b>683,735</b>	<b>1,853,790</b>	<b>1,712,757</b>
<b><u>NET ASSETS</u></b> - End of Year	<b>\$ 1,268,351</b>	<b>\$ 1,190,110</b>	<b>\$ 642,912</b>	<b>\$ 663,680</b>	<b>\$ 1,911,263</b>	<b>\$ 1,853,790</b>

**Governmental Activities**

During the fiscal year ended June 30, 2007, the Township's net assets increased by \$78,241 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Selma Township comes from Taxes.

The Township levied millages for operating, road improvement and fire protection this fiscal year. The Township levied 0.7286 mills for operating purposes, 0.9563 mills for road improvement, and 0.4562 mills for fire protection.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation.

The Township's governmental activities expenses are dominated by general governmental expenses that total \$110,557. Public Safety represented the next largest expense at \$75,549 followed by Culture and Recreation at \$33,234. Depreciation expense added \$11,112 to general governmental expenses, \$35,554 to Public Safety and \$11,169 to Public Works.

**Business-Type Activities**

The Township utilizes a Sewer Fund to account for its sewer operations. Revenue is collected from customers within the Township. These charges for services totaled \$84,880 for 2007. The Township pays the Wexford County Department of Public Works for Township sewer services which accounted for \$81,215 of the Sewer Funds expenses and depreciation expense accounted for \$24,433.

Sewer operations experienced a \$20,768 decrease in net assets. This is due mainly to the deduction for depreciation expense on the capital assets.

The Sewer Fund is the Township's only Business-Type activity.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

**Financial Analysis of the Government's Funds**

***Governmental Activities*** The focus of Selma Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Selma Township's governmental funds reported combined ending fund balances of \$753,768. Of this total amount \$541,169 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

**General Fund** – The General Fund increased its fund balance by \$23,276 which brings the fund balance to \$493,687. Of the General Fund's fund balance, \$484,018 is unreserved while \$3,577 is reserved for prepaid expenditures and \$6,092 is reserved for Telecommunications Right of Way. Tax revenues increased by \$5,080. State grant revenues decreased by \$14,721 from the prior year.

**Fire Fund** – The Fire Fund decreased its fund balance by \$26,799 which brings the fund balance to \$76,254. This balance is reserved and must be used for fire protection.

The Township levied a fire millage on the 2006 tax roll. This resulted in \$31,061 in tax related revenues during the current fiscal year.

**Road Improvement Fund** – The Road Improvement Fund increased its fund balance by \$28,364 which brings the fund balance to \$125,101. The balance is reserved and must be used for road improvements.

The Township did once again levy a road improvement millage on the 2006 tax roll. Tax related revenues totaled \$65,096 for the current fiscal year. The Township is not obligated under any contracts of the Road Commission as of June 30, 2007.

**Sugar Bush Road Improvement Fund** – The Sugar Bush Road Improvement Fund increased its fund balance by \$720 which brings the fund balance to \$1,233. The balance is reserved and must be used for road improvements.

**CFP / 32 Road Improvement Fund** – The CFP / 32 Road Improvement Fund increased its fund balance by \$63 which brings the fund balance to a deficit of \$26.

**Lake Improvement Fund** – The Lake Improvement Fund had no change in its fund balance. The fund balance is zero.

The township received \$26,625 in special assessment revenue for the current fiscal year.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

**Proprietary Fund** The Township's proprietary fund provides the same information as the government-wide statements.

**Sewer Fund** – The Sewer Fund ended the fiscal year with a decrease in net assets of \$20,768. This is due largely to the deduction of depreciation expense on the Fund's capital assets. The unrestricted net assets actually increased by \$3,665 due mainly to the deduction of depreciation expense. Net assets invested in capital assets decreased by the amount of the depreciation deduction or \$24,433. Despite the decrease in net assets, the Fund is still in stable condition.

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental and business-type activities as of June 30, 2007 amounted to \$1,181,633 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$300 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

*Selma Township*  
*Capital Assets as of June 30,*

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Land and Land Improvements	\$ 86,729	\$ 86,729	\$ 0	\$ 0	\$ 86,729	\$ 86,729
Buildings and Improvements	228,366	228,366	0	0	228,366	228,366
Improvements other than buildings	0	0	1,221,644	1,221,644	1,221,644	1,221,644
Equipment, Furniture, Vehicles	607,007	535,992	0	0	607,007	535,992
Infrastructure	223,376	223,376	0	0	223,376	223,376
	1,145,478	1,074,463	1,221,644	1,221,644	2,367,122	2,296,107
Less Accumulated depreciation	525,800	467,965	659,689	635,256	1,185,489	1,103,221
<b>Net Capital Assets</b>	<b>\$ 619,678</b>	<b>\$ 606,498</b>	<b>\$ 561,955</b>	<b>\$ 586,388</b>	<b>\$ 1,181,633</b>	<b>\$ 1,192,886</b>

Major capital asset events during the current fiscal year included the following:

- ◆ Improvements on a fire truck to extend its life amounted to \$59,696.
- ◆ Purchased new software in the amount of \$8,620. The purchase was necessitated to be compatible with Wexford County. This software is used by local municipalities state-wide and ensures use long into the future.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2007

**Long-Term Debt**

At the end of the current fiscal year, the Township had total bonded debt outstanding of \$134,026 for the cost of paving various roads. The entire balance of this debt is backed by the full faith and credit of the government. Additional information on the Township's long-term debt can be found in the notes to the financial statements.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2007-08 fiscal year.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Selma Township at 4101 S. 35 Road, Cadillac, Michigan 49601.



SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

STATEMENT OF NET ASSETS  
JUNE 30, 2007

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS
<u>CURRENT ASSETS</u>			
Cash	\$ 710,697	\$ 54,747	\$ 765,444
Receivables			
Accounts	2,432	26,210	28,642
Special Assessments	28,931	0	28,931
Due from Other Governments	41,410	0	41,410
Prepaid Expenses	3,577	0	3,577
Total Current Assets	787,047	80,957	868,004
<u>CAPITAL ASSETS</u>			
Land and Land Improvements	86,729	0	86,729
Buildings and Improvements	228,366	0	228,366
Improvements Other Than Buildings	0	1,221,644	1,221,644
Machinery and Equipment	607,007	0	607,007
Infrastructure	223,376	0	223,376
	1,145,478	1,221,644	2,367,122
Less Accumulated Depreciation	525,800	659,689	1,185,489
Net Capital Assets	619,678	561,955	1,181,633
TOTAL ASSETS	1,406,725	642,912	2,049,637
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	1,688	0	1,688
Bank Overdraft	2,660	0	2,660
Current Portion of Long-Term Debt	44,675	0	44,675
Total Current Liabilities	49,023	0	49,023
<u>LONG-TERM LIABILITIES</u>			
Special Assessment Bonds (Net of Current Portion)	89,351	0	89,351
TOTAL LIABILITIES	138,374	0	138,374
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	485,652	561,955	1,047,607
Restricted for Specific Purposes	209,022	0	209,022
Unrestricted	573,677	80,957	654,634
TOTAL NET ASSETS	\$ 1,268,351	\$ 642,912	\$ 1,911,263

The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
<u>PRIMARY GOVERNMENT</u>							
<u>GOVERNMENTAL ACTIVITIES</u>							
Legislative	\$ 6,688	\$ 0	\$ 0	\$ 0	\$ (6,688)	\$ 0	\$ (6,688)
General Government	110,557	14,346	0	0	(96,211)	0	(96,211)
Public Safety	75,549	0	577	0	(74,972)	0	(74,972)
Public Works	12,146	0	2,867	0	(9,279)	0	(9,279)
Culture and Recreation	33,234	0	26,625	0	(6,609)	0	(6,609)
Other Functions	29,060	0	0	0	(29,060)	0	(29,060)
Debt Service	5,987	0	0	0	(5,987)	0	(5,987)
Total Governmental Activities	273,221	14,346	30,069	0	(228,806)	0	(228,806)
<u>BUSINESS-TYPE ACTIVITIES</u>							
Sewer System	105,648	84,880	0	0	0	(20,768)	(20,768)
TOTAL	\$ 378,869	\$ 99,226	\$ 30,069	\$ 0	(228,806)	(20,768)	(249,574)
<u>GENERAL REVENUES</u>							
Taxes					147,283	0	147,283
State Grants					128,807	0	128,807
Interest Earnings					30,465	0	30,465
Other					492	0	492
Total General Revenues					307,047	0	307,047
Change in Net Assets					78,241	(20,768)	57,473
<u>NET ASSETS</u> - Beginning of Year					1,190,110	663,680	1,853,790
<u>NET ASSETS</u> - End of Year					\$ 1,268,351	\$ 642,912	\$ 1,911,263

The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2007

	GENERAL FUND	FIRE FUND	ROAD IMPROVEMENT FUND	LAKE IMPROVEMENT FUND
<u>ASSETS</u>				
Cash	\$ 447,260	\$ 75,661	\$ 129,024	\$ 0
Accounts Receivable	2,432	0	0	0
Due from Other Funds	858	593	0	0
Due from Other Governments	41,410	0	0	0
Special Assessments Receivable	0	0	0	0
Prepaid Expenditures	3,577	0	0	0
TOTAL ASSETS	<u>\$ 495,537</u>	<u>\$ 76,254</u>	<u>\$ 129,024</u>	<u>\$ 0</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 1,688	\$ 0	\$ 0	\$ 0
Bank Overdraft	0	0	0	0
Deferred Revenue	0	0	0	0
Due to Other Funds	162	0	3,923	0
TOTAL LIABILITIES	<u>1,850</u>	<u>0</u>	<u>3,923</u>	<u>0</u>
<u>FUND BALANCE</u>				
Reserved for:				
Prepaid Expenditures	3,577	0	0	0
Telecommunications Right of Way Maintenance	6,092	0	0	0
Fire Protection	0	76,254	0	0
Road Improvements	0	0	125,101	0
Liquor Law Enforcement	0	0	0	0
Unreserved:				
Designated For:				
Cemetery	0	0	0	0
Public Improvements	0	0	0	0
Undesignated - (Deficit)	484,018	0	0	0
Total Fund Balance	<u>493,687</u>	<u>76,254</u>	<u>125,101</u>	<u>0</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 495,537</u>	<u>\$ 76,254</u>	<u>\$ 129,024</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

SUGAR BUSH ROAD IMPROVEMENT FUND	CFP / 32 ROAD IMPROVEMENT FUND	NONMAJOR FUNDS	TOTALS
\$ 1,233	\$ 0	\$ 57,519	\$ 710,697
0	0	0	2,432
0	2,634	0	4,085
0	0	0	41,410
13,514	15,417	0	28,931
0	0	0	3,577
<u>\$ 14,747</u>	<u>\$ 18,051</u>	<u>\$ 57,519</u>	<u>\$ 791,132</u>
\$ 0	\$ 0	\$ 0	\$ 1,688
0	2,660	0	2,660
13,514	15,417	0	28,931
0	0	0	4,085
<u>13,514</u>	<u>18,077</u>	<u>0</u>	<u>37,364</u>
0	0	0	3,577
0	0	0	6,092
0	0	0	76,254
1,233	0	0	126,334
0	0	342	342
0	0	3,118	3,118
0	0	54,059	54,059
0	(26)	0	483,992
<u>1,233</u>	<u>(26)</u>	<u>57,519</u>	<u>753,768</u>
<u>\$ 14,747</u>	<u>\$ 18,051</u>	<u>\$ 57,519</u>	<u>\$ 791,132</u>

The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007

Total Fund Balances for Governmental Funds	\$ 753,768
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Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Land	40,370	
Land Improvements	46,359	
Buildings and Improvements	228,366	
Machinery and Equipment	607,007	
Infrastructure	223,376	
Accumulated Depreciation	<u>(525,800)</u>	619,678

Other long-term assets are not available to pay for current period  
expenditures and therefore are not reported in the funds.

Special Assessment Receivables	28,931
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Long-term liabilities are not due and payable in the current period  
and therefore are not reported in the funds.

Special Assessment Bonds Payable	<u>(134,026)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,268,351</u></u>
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The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2007

	GENERAL FUND	FIRE FUND	ROAD IMPROVEMENT FUND	LAKE IMPROVEMENT FUND
<u>REVENUES</u>				
Taxes	\$ 51,126	\$ 31,061	\$ 65,096	\$ 0
Licenses and Permits	5,560	0	0	0
State Grants	131,674	0	0	0
Charges for Services	5,910	0	0	0
Interest and Rents	22,162	1,763	4,836	0
Other Revenues	419	73	0	26,625
Total Revenues	216,851	32,897	69,932	26,625
<u>EXPENDITURES</u>				
Legislative	6,688	0	0	0
General Government	108,065	0	0	0
Public Safety	42,176	59,696	0	0
Public Works	977	0	0	0
Culture and Recreation	6,609	0	0	26,625
Other Functions	29,060	0	0	0
Debt Service	0	0	41,568	0
Total Expenditures	193,575	59,696	41,568	26,625
Net Change in Fund Balance	23,276	(26,799)	28,364	0
<u>FUND BALANCE</u> - Beginning of Year - (Deficit)	470,411	103,053	96,737	0
<u>FUND BALANCE</u> - End of Year - (Deficit)	\$ 493,687	\$ 76,254	\$ 125,101	\$ 0

The accompanying notes are an integral part of the financial statements.

SUGAR BUSH ROAD IMPROVEMENT FUND	CFP / 32 ROAD IMPROVEMENT FUND	NONMAJOR FUNDS	TOTALS
\$ 0	\$ 0	\$ 0	\$ 147,283
0	0	0	5,560
0	0	577	132,251
0	0	2,575	8,485
159	75	1,770	30,765
4,505	5,139	0	36,761
4,664	5,214	4,922	361,105
0	0	0	6,688
0	0	0	108,065
0	0	518	102,390
0	0	0	977
0	0	0	33,234
0	0	0	29,060
3,944	5,151	0	50,663
3,944	5,151	518	331,077
720	63	4,404	30,028
513	(89)	53,115	723,740
\$ 1,233	\$ (26)	\$ 57,519	\$ 753,768

The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2007

Net change in Fund Balance - Total Governmental Funds	\$ 30,028
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(57,835)
Capital Outlay	71,015

Repayment of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).	44,676
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Under the modified accrual basis of accounting, revenue is recognized when measurable and certain. The entity wide statements recognize revenue when earned.

Deferred Revenue - Beginning of Year	(38,574)
Deferred Revenue - End of Year	<u>28,931</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 78,241</u>
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The accompanying notes are an integral part of the financial statements.



SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2007

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 54,747
Accounts Receivable	26,210
	<hr/>
Total Current Assets	80,957
	<hr/>
<u>CAPITAL ASSETS</u>	
Improvements in Sewer System	1,221,644
Less Accumulated Depreciation	659,689
	<hr/>
Net Capital Assets	561,955
	<hr/>
TOTAL ASSETS	\$ 642,912
	<hr/> <hr/>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 0
	<hr/>
<u>NET ASSETS</u>	
Invested in Capital Assets	561,955
Unrestricted	80,957
	<hr/>
Total Net Assets	642,912
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 642,912
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

JUNE 30, 2007

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>OPERATING REVENUES</u>	
Charges for Services	
Sewer Use Charges and Connection Fees	<u>\$        84,880</u>
<u>OPERATING EXPENSES</u>	
Contracted Services	81,215
Depreciation	<u>24,433</u>
Total Operating Expenses	<u>105,648</u>
Operating Income (Loss)	<u>(20,768)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	<u>0</u>
Change in Net Assets	(20,768)
<u>NET ASSETS</u> - Beginning of Year	<u>663,680</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$        642,912</u></u>

The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

JUNE 30, 2007

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 84,690
Cash Payments to Suppliers for Goods and Services	(121,950)
	<hr/>
Net Cash Provided by Operating Activities	(37,260)
	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	92,007
	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 54,747
	<hr/> <hr/>
<u>RECONCILIATION OF OPERATING INCOME</u>	
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	\$ (20,768)
	<hr/>
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities	
Depreciation	24,433
(Increase) Decrease in Current Assets	
Accounts Receivable	(190)
Increase (Decrease) in Current Liabilities	
Accounts Payable	(40,735)
	<hr/>
Total Adjustments	(16,492)
	<hr/>
NET CASH PROVIDED BY	
OPERATING ACTIVITIES	\$ (37,260)
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2007

	<u>AGENCY</u>
<u>ASSETS</u>	
Cash	\$ 0
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Due to Other Funds	\$ 0
<u>NET ASSETS</u>	0
TOTAL LIABILITIES AND NET ASSETS	\$ 0

The accompanying notes are an integral part of the financial statements.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Selma Township is a general law township located in Wexford County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Selma Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

The *Road Improvement Fund* accounts for revenue sources that are legally restricted to expenditures for road improvements.

The *Sugar Bush Road Improvement Fund* accounts for revenue sources that are legally restricted to expenditures for road improvements.

The *CFP / 32 Road Improvement Fund* accounts for revenue sources that are legally restricted to expenditures for road improvements.

The *Lake Improvement Fund* accounts for revenue sources that are legally restricted to expenditures for lake improvements.

Selma Township reports the following major proprietary funds:

The *Sewer Fund* records financial activity of the Township's portion of the Cadillac-Mitchell Sewer Loop Project. The Township participates in the Cadillac-Mitchell Sewer Loop Project with Clam Lake Township and Cherry Grove Township.

Additionally Selma Township reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

- (I) The Township Board has authorized the Township Treasurer to invest in the following:
- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
  - (b) Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution. Authorized depositories shall be designated by the Selma Township Board at the Board's organizational meeting after each regular election of board members.
  - (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
  - (d) Repurchase agreements consisting of instruments listed in subdivision (a).
  - (e) Bankers' acceptances of United States banks.
  - (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
  - (g) Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the Township Treasurer. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share. (Recommendation--the above limitation is recommended, however, the



SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

Treasurer may also include mutual funds whose net asset value may fluctuate on a periodic basis by so stating in this area).

- (h) Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- (i) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.

**2. *Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes, two-thirds of county taxes, and 50% of Cadillac Area Public School's taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2006 taxable valuation of Selma Township totaled \$68,273,625, on which ad valorem taxes levied consisted of 0.7286 mills for Selma Township operating purposes, 0.9563 mills for the Selma Township road improvements, and 0.4562 mills for Selma Township fire protection. These levies raised approximately \$49,635 for operating purposes and \$65,140 for road improvements, and \$31,082 for fire protection.

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

assets with an initial, individual cost, after June 30, 2003, of more than \$300 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	20
Land Improvements	20
Public domain infrastructure	20
System infrastructure	30
Vehicles	5
Equipment and Furniture	5-10

***5. Long-term Obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

***6. Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**7. Use of Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on June 24, 2006, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**B. Major Funds with Expenditures in Excess of Appropriations were as follows:**

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Assessor	\$ 31,000	\$ 35,256
Treasurer	23,755	24,373

These overages were funded by greater than anticipated revenues and available fund balance.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits and investments are all on deposit with Citizens Bank in Cadillac, Michigan.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2007, \$532,831 of the government's bank balance of \$791,046 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**B. Receivables**

Receivables as of year end for the government's individual major fund and nonmajor funds in aggregate, are as follows:

	General	Sewer	Sugar Bush Road Improvement	CFP / 32 Road Improvement	Total
Receivables					
Due from Other					
Governments	\$ 41,410	\$ 0	\$ 0	\$ 0	\$ 41,410
Accounts	2,432	26,210	0	0	28,642
Special Assessments					
Receivable	0	0	13,514	15,417	28,931
	<u>\$ 43,842</u>	<u>\$ 26,210</u>	<u>\$ 13,514</u>	<u>\$ 15,417</u>	<u>\$ 98,983</u>

The allowance for doubtful accounts is not considered to be material for disclosure. In addition, any delinquent sewer service receivables can be placed on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Deferred Revenue	
	Unavailable	Unearned
Special assessment receivables (Special Revenue Funds)	<u>\$ 28,931</u>	<u>\$ 0</u>

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**C. Capital Assets**

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets, not being depreciated				
Land	\$ 40,370	\$ 0	\$ 0	\$ 40,370
Capital assets, being depreciated				
Buildings and Improvements	228,366	0	0	228,366
Land Improvements	46,359	0	0	46,359
Machinery and equipment	535,992	71,015	0	607,007
Infrastructure	223,376	0	0	223,376
Total capital assets, being depreciated	1,034,093	71,015	0	1,105,108
Less accumulated depreciation for:				
Buildings and Improvements	118,385	4,577	0	122,962
Land Improvements	20,474	2,007	0	22,481
Machinery and equipment	329,106	40,082	0	369,188
Infrastructure	0	11,169	0	11,169
Total accumulated depreciation	467,965	57,835	0	525,800
Total capital assets, being depreciated, net	566,128	13,180	0	579,308
Governmental activities capital assets, net	\$ 606,498	\$ 13,180	\$ 0	\$ 619,678

Business-Type Activities

Capital assets, being depreciated				
Improvements other than buildings	\$ 1,221,644	\$ 0	\$ 0	\$ 1,221,644
Less accumulated depreciation for:				
Improvements other than buildings	635,256	24,433	0	659,689
Business-type activities capital assets, net	\$ 586,388	\$ (24,433)	\$ 0	\$ 561,955

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 11,112
Public Safety	35,554
Public Works	11,169
Total depreciation expense - governmental activities	<u>\$ 57,835</u>

Business-type activities:

Sewer	<u>\$ 24,433</u>
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SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

Construction Commitments:

The Township has no outstanding construction commitments as of June 30, 2007.

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at June 30, 2007, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 858	\$ 162
Special Revenue Funds		
Fire	593	0
Road Improvement	0	3,923
CFP/32 Road Improvement	2,634	0
	<u>\$ 4,085</u>	<u>\$ 4,085</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

For the year ended June 30, 2007, there were no interfund transfers made.

**E. Long-Term Debt**

The following is a summary of the long-term transactions of the Township of Selma for the year ended June 30, 2007:

	<u>BONDS PAYABLE</u>
Long-Term Debt Payable	
At July 1, 2006	\$ 178,702
New Debt Incurred	0
Payments on Debt	<u>(44,676)</u>
At June 30, 2007	<u>\$ 134,026</u>

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

Debt payable at June 30, 2007 consisted of the following:

Bonds Payable

\$34,062 bond payable, due in annual installments of  
\$7,051 to \$7,507 through June 25, 2010; interest at 3.35 to  
3.50 percent \$ 20,437

\$171,924 bond payable, due in annual installments of  
\$35,588 to \$38,792 through June 25, 2010; interest at 3.35 to  
3.50 percent 103,154

\$17,391 bond payable, due in annual installments of  
\$3,600 to \$3,832 through June 25, 2010; interest at 3.35 to  
3.50 percent 10,435

\$ 134,026

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Amounts Payable</u>
2008	44,675	4,557	49,232
2009	44,675	3,083	47,758
2010	44,676	1,563	46,239
	<u>\$ 134,026</u>	<u>\$ 9,203</u>	<u>\$ 143,229</u>

**F. Fund Balance Reserves and Designations**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/retained earnings have been designated for intended future uses.



SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

These reserves and designations are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved

General Fund

Prepaid Expenditures	\$ 3,577	
Telecommunications Right of Way Maintenance	<u>6,092</u>	\$ 9,669

Special Revenue Funds

Fire Fund

Fire Protection	76,254	
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Liquor Law Enforcement Fund

Liquor Law Enforcement	342	
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Road Improvement Fund

Road Improvements	125,101	
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Sugar Bush Road Improvement Fund

Road Improvements	<u>1,233</u>	202,930
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Unreserved-Designated

Special Revenue Funds

Cemetery Fund

Cemetery	3,118	
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Improvement Revolving Fund

Public Improvements	<u>54,059</u>	<u>57,177</u>
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TOTAL FUND BALANCE

RESERVATIONS AND DESIGNATIONS		<u>\$ 269,776</u>
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**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**B. Sewer Fund**

The Township is participating with Clam Lake and Cherry Grove Townships in the Lakes Cadillac-Mitchell Sewer Loop Project. This project was being financed through state and federal grants and the sale of special assessment bonds. The total estimated cost of the project is \$2,605,674. Selma Township's share of this project is 46.884% (\$1,221,644). This amount has been capitalized as an asset in the Sewer Fund. The Township has contracted with the Wexford County Department of Public Works to operate and maintain the system.

**C. Lake Improvement Fund**

The Township has joined with Cherry Grove Township and the City of Cadillac to establish a Lake Improvement Board for the purpose of improving Lake Mitchell. A special assessment district was established with each municipality collecting the assessment from its property owners within the district. Selma Township and the City of Cadillac send the collected assessments to Cherry Grove Township who has been designated by the Lake Improvement Board to maintain the records for the Lake Improvements.

**D. Comparative Data/Reclassifications**

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the government's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2007

	GENERAL FUND			FIRE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>						
Taxes	\$ 44,008	\$ 44,008	\$ 51,126	\$ 28,700	\$ 28,700	\$ 31,061
Licenses and Permits	5,000	5,000	5,560	0	0	0
State Grants	123,000	123,000	131,674	0	0	0
Charges for Services	5,300	5,300	5,910	0	0	0
Interest and Rents	5,500	5,500	22,162	300	300	1,763
Other Revenues	100	100	419	0	0	73
Total Revenues	182,908	182,908	216,851	29,000	29,000	32,897
<u>EXPENDITURES</u>						
Legislative						
Township Board	8,600	8,600	6,688	0	0	0
General Government						
Supervisor	11,580	11,580	8,050	0	0	0
Election	2,100	3,500	2,950	0	0	0
Assessor	29,600	31,000	35,236	0	0	0
Legal Fees	1,500	1,500	0	0	0	0
Clerk	17,775	17,775	16,434	0	0	0
Board of Review	1,220	1,220	1,074	0	0	0
Treasurer	23,755	23,755	24,373	0	0	0
Building & Grounds	13,200	26,400	17,234	0	0	0
Cemetery	4,700	4,700	2,714	0	0	0
Public Safety						
Fire Department	43,650	43,650	42,176	60,000	60,000	59,696
Public Works						
Street Lighting	1,200	1,200	977	0	0	0
Highways, Streets, Bridges	0	0	0	0	0	0
Culture and Recreation						
Parks Department	10,380	10,380	6,609	0	0	0
Other Functions						
Insurance & Bonds	25,000	25,000	20,193	0	0	0
Employee Benefits	14,800	15,300	8,867	0	0	0
Contingency	10,000	10,000	0	0	0	0
Total Expenditures	219,060	235,560	193,575	60,000	60,000	59,696
Excess (Deficiency) of Revenues Over Expenditures	(36,152)	(52,652)	23,276	(31,000)	(31,000)	(26,799)
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers In (Out)	(5,000)	(5,000)	0	(15,000)	(15,000)	0
Net Change in Fund Balance	(41,152)	(57,652)	23,276	(46,000)	(46,000)	(26,799)
<u>FUND BALANCE</u> - Beginning of Year (Deficit)	51,000	51,000	470,411	46,000	46,000	103,053
<u>FUND BALANCE</u> - End of Year (Deficit)	\$ 9,848	\$ (6,652)	\$ 493,687	\$ 0	\$ 0	\$ 76,254

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SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

GENERAL FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	2007	2006
<u>ASSETS</u>		
Cash	\$ 447,260	\$ 420,865
Accounts Receivable	2,432	2,401
Due from Other Funds	858	751
Due from Other Governments	41,410	42,880
Prepaid Expenditures	3,577	3,676
TOTAL ASSETS	<u>\$ 495,537</u>	<u>\$ 470,573</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 1,688	\$ 0
Due to Other Funds	162	162
TOTAL LIABILITIES	<u>1,850</u>	<u>162</u>
<u>FUND BALANCE</u>		
Reserved for:		
Prepaid Expenditures	3,577	3,676
Telecommunications Right of Way Maintenance	6,092	4,292
Unreserved	484,018	462,443
Total Fund Balance	<u>493,687</u>	<u>470,411</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 495,537</u>	<u>\$ 470,573</u>

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006

	<u>2007 BUDGET</u>		<u>2007</u>	<u>2006</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
Taxes	\$ 44,008	\$ 44,008	\$ 51,126	\$ 46,046
Licenses and Permits	5,000	5,000	5,560	4,811
State Grants	123,000	123,000	131,674	146,395
Charges for Services	5,300	5,300	5,910	7,787
Interest and Rents	5,500	5,500	22,162	10,234
Other Revenues	100	100	419	180
Total Revenues	182,908	182,908	216,851	215,453
<u>EXPENDITURES</u>				
Legislative				
Township Board	8,600	8,600	6,688	7,037
General Government				
Supervisor	11,580	11,580	8,050	11,509
Election	2,100	3,500	2,950	13,135
Assessor	29,600	31,000	35,236	25,819
Legal Fees	1,500	1,500	0	0
Clerk	17,775	17,775	16,434	18,005
Board of Review	1,220	1,220	1,074	1,065
Treasurer	23,755	23,755	24,373	22,939
Building and Grounds	13,200	26,400	17,234	9,738
Cemetery	4,700	4,700	2,714	3,207
Public Safety	43,650	43,650	42,176	31,451
Public Works	1,200	1,200	977	825
Culture and Recreation	10,380	10,380	6,609	15,782
Other Functions	39,800	40,300	29,060	28,170
Contingency	10,000	10,000	0	0
Total Expenditures	219,060	235,560	193,575	188,682

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006

	<u>2007 BUDGET</u>		<u>2007</u>	<u>2006</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Excess (Deficiency) of Revenues				
Over Expenditures	(36,152)	(52,652)	23,276	26,771
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In (Out)				
Sewer Project Fund	(2,000)	(2,000)	0	0
CFP/32	(3,000)	(3,000)	0	0
Total Other Financing Sources (Uses)	(5,000)	(5,000)	0	0
Net change in Fund Balance	(41,152)	(57,652)	23,276	26,771
<u>FUND BALANCE</u> - Beginning of Year	51,000	51,000	470,411	443,640
<u>FUND BALANCE</u> - End of Year (Deficit)	\$ 9,848	\$ (6,652)	\$ 493,687	\$ 470,411

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

FIRE FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	2007	2006
<u>ASSETS</u>		
Cash	\$ 75,661	\$ 102,891
Due from Other Funds	593	162
	<hr/>	
TOTAL ASSETS	\$ 76,254	\$ 103,053
	<hr/>	
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
	<hr/>	
<u>FUND BALANCE</u>		
Reserved for Fire Protection	76,254	103,053
	<hr/>	
TOTAL LIABILITIES AND FUND BALANCE	\$ 76,254	\$ 103,053
	<hr/>	



SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2007

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006

	<u>2007 BUDGET</u>		<u>2007</u>	<u>2006</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
Taxes				
Property Taxes	\$ 28,700	\$ 28,700	\$ 31,061	\$ 28,756
Interest and Rents				
Interest Earnings	300	300	1,763	1,535
Other Revenues				
Miscellaneous	0	0	73	5
Donations	0	0	0	18,000
Total Revenues	<u>29,000</u>	<u>29,000</u>	<u>32,897</u>	<u>48,296</u>
<u>EXPENDITURES</u>				
Public Safety				
Capital Outlay	<u>60,000</u>	<u>60,000</u>	<u>59,696</u>	<u>18,000</u>
Excess (Deficiency) of Revenues Over Expenditures	(31,000)	(31,000)	(26,799)	30,296
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In (Out)				
General Fund	<u>(15,000)</u>	<u>(15,000)</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(46,000)	(46,000)	(26,799)	30,296
<u>FUND BALANCE</u> - Beginning of Year	<u>46,000</u>	<u>46,000</u>	<u>103,053</u>	<u>72,757</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 76,254</u>	<u>\$ 103,053</u>

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

ROAD IMPROVEMENT FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$ 129,024	\$ 140,189
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds	\$ 3,923	\$ 3,394
Accounts Payable	0	40,058
Total Liabilities	3,923	43,452
<u>FUND BALANCE</u>		
Reserved for Road Improvements	125,101	96,737
TOTAL LIABILITIES AND FUND BALANCE	\$ 129,024	\$ 140,189

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

ROAD IMPROVEMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDING JUNE 30, 2007

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006

	<u>2007 BUDGET</u>		<u>2007</u>	<u>2006</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
Taxes				
Property Taxes	\$ 60,000	\$ 60,000	\$ 65,096	\$ 60,273
Interest and Rents				
Interest Earnings	300	300	4,836	2,023
Total Revenues	60,300	60,300	69,932	62,296
<u>EXPENDITURES</u>				
Public Works				
Highways, Streets and Bridges				
Personal Services				
Salaries and Wages	400	400	0	0
Supplies				
Operating Supplies	50	50	0	0
Other Services and Charges				
Contracted Services	100	100	0	0
Capital Outlay				
Road Construction	102,710	102,710	0	183,278
Debt Service				
Principal	0	0	36,656	36,655
Interest	0	0	4,912	6,049
Total Expenditures	103,260	103,260	41,568	225,982
Excess (Deficiency) of Revenues				
Over Expenditures	(42,960)	(42,960)	28,364	(163,686)
<u>OTHER FINANCING SOURCES (USES)</u>				
Bond Proceeds	0	0	0	183,278
Net Change in Fund Balance	(42,960)	(42,960)	28,364	19,592
<u>FUND BALANCE</u> - Beginning of Year	43,860	43,860	96,737	77,145
<u>FUND BALANCE</u> - End of Year	\$ 900	\$ 900	\$ 125,101	\$ 96,737

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

SUGAR BUSH ROAD IMPROVEMENT FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash		
Money Market Account	\$      1,233	\$      513
Special Assessment Receivable	13,514	18,018
TOTAL ASSETS	<u>\$     14,747</u>	<u>\$     18,531</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Deferred Revenue	\$     13,514	\$     18,018
<u>FUND BALANCE</u>		
Reserved for Road Improvements	<u>1,233</u>	<u>513</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$     14,747</u>	<u>\$     18,531</u>

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

SUGAR BUSH ROAD IMPROVEMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDING JUNE 30, 2007

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006

	<u>2007 BUDGET</u>		<u>2007</u>	<u>2006</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
Interest				
Interest Earnings	\$ 10	\$ 10	\$ 159	\$ 57
Interest and Penalties on				
Special Assessments	0	0	0	3
Other Revenues				
Special Assessments	4,500	4,500	4,505	4,505
Total Revenues	4,510	4,510	4,664	4,565
<u>EXPENDITURES</u>				
Public Works				
Highways, Streets and Bridges				
Capital Outlay				
Road Construction	4,500	4,500	0	17,391
Debt Service				
Principal	0	0	3,478	3,478
Interest	0	0	466	574
Total Expenditures	4,500	4,500	3,944	21,443
Excess (Deficiency) of Revenues				
Over Expenditures	10	10	720	(16,878)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer In	500	500	0	0
Bond Proceeds	0	0	0	17,391
Total Other Financing Sources (Uses)	500	500	0	17,391
Net Change in Fund Balance	510	510	720	513
<u>FUND BALANCE</u> - Beginning of Year	0	0	513	0
<u>FUND BALANCE</u> - End of Year	\$ 510	\$ 510	\$ 1,233	\$ 513

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

CFP / 32 ROAD IMPROVEMENT FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Due from Other Funds	\$ 2,634	\$ 2,645
Special Assessment Receivable	15,417	20,556
TOTAL ASSETS	<u>\$ 18,051</u>	<u>\$ 23,201</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Bank Overdraft	\$ 2,660	\$ 2,734
Deferred Revenue	15,417	20,556
Total Liabilities	18,077	23,290
<u>FUND BALANCE</u>		
Unreserved		
Undesignated - (Deficit)	<u>(26)</u>	<u>(89)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 18,051</u>	<u>\$ 23,201</u>

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

CFP / 32 ROAD IMPROVEMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDING JUNE 30, 2007

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006

	<u>2007 BUDGET</u>		<u>2007</u>	<u>2006</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
Interest				
Interest Earnings	\$ 10	\$ 10	\$ 75	\$ 63
Other Revenues				
Special Assessments	5,100	5,100	5,139	5,139
Total Revenues	5,110	5,110	5,214	5,202
<u>EXPENDITURES</u>				
Public Works				
Highways, Streets and Bridges				
Capital Outlay				
Road Construction	8,100	8,100	0	22,708
Debt Service				
Principal	0	0	4,542	4,542
Interest	0	0	609	749
Total Expenditures	8,100	8,100	5,151	27,999
Excess (Deficiency) of Revenues Over Expenditures	(2,990)	(2,990)	63	(22,797)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer In	3,000	3,000	0	0
Bond Proceeds	0	0	0	22,708
Total Other Financing Sources (Uses)	3,000	3,000	0	22,708
Net Change in Fund Balance	10	10	63	(89)
<u>FUND BALANCE</u> - Beginning of Year - (Deficit)	0	0	(89)	0
<u>FUND BALANCE</u> - End of Year - (Deficit)	\$ 10	\$ 10	\$ (26)	\$ (89)

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

LAKE IMPROVEMENT FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Special Assessment Receivable	\$ 0	\$ 0
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Unreserved	0	0
TOTAL LIABILITIES AND FUND BALANCE	\$ 0	\$ 0



SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

LAKE IMPROVEMENT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>		
Other Revenues		
Special Assessments	\$ 26,625	\$ 26,625
<u>EXPENDITURES</u>		
Recreation and Cultural		
Lake Improvement		
Aid to Other Governments	<u>26,625</u>	<u>26,625</u>
Excess (Deficiency) of Revenues		
Over Expenditures	0	0
<u>FUND BALANCE</u> - Beginning of Year	<u>0</u>	<u>0</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF NET ASSETS  
JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 54,747	\$ 92,007
Accounts Receivable	26,210	26,020
	<hr/>	<hr/>
Total Current Assets	80,957	118,027
	<hr/>	<hr/>
<u>CAPITAL ASSETS</u>		
Investment in Sewer System	1,221,644	1,221,644
Less Accumulated Depreciation	659,689	635,256
	<hr/>	<hr/>
Net Capital Assets	561,955	586,388
	<hr/>	<hr/>
TOTAL ASSETS	\$ 642,912	\$ 704,415
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 40,735
	<hr/>	<hr/>
<u>NET ASSETS</u>		
Invested in Capital Assets	561,955	586,388
Unrestricted	80,957	77,292
	<hr/>	<hr/>
Total Net Assets	642,912	663,680
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 642,912	\$ 704,415
	<hr/> <hr/>	<hr/> <hr/>

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>OPERATING REVENUES</u>		
Charges for Services		
Sewer Use Charges and Connection Fees	\$ 84,880	\$ 85,670
<u>OPERATING EXPENSES</u>		
Contracted Services		
Operation and Maintenance		
Wexford County Department of Public Works	81,215	81,529
Miscellaneous	0	181
Depreciation	24,433	24,433
Total Operating Expenses	<u>105,648</u>	<u>106,143</u>
Operating Income (Loss)	(20,768)	(20,473)
<u>NONOPERATING REVENUES</u>		
Interest Income	<u>0</u>	<u>418</u>
Change in Net Assets	(20,768)	(20,055)
<u>NET ASSETS</u> - Beginning of Year	<u>663,680</u>	<u>683,735</u>
<u>NET ASSETS</u> - End of Year	<u>\$ 642,912</u>	<u>\$ 663,680</u>

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 84,690	\$ 85,470
Cash Payments to Suppliers for Goods and Services	(121,950)	(40,975)
	<hr/>	<hr/>
Net Cash Provided by Operating Activities	(37,260)	44,495
	<hr/>	<hr/>
Cash Flows from Investing Activities		
Interest Received	0	418
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	(37,260)	44,913
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	92,007	47,094
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 54,747	\$ 92,007
	<hr/>	<hr/>
<u>RECONCILIATION OF OPERATING INCOME</u> <u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating Income (Loss)	\$ (20,768)	\$ (20,473)
	<hr/>	<hr/>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	24,433	24,433
(Increase) Decrease in Current Assets		
Accounts Receivable	(190)	(200)
Increase (Decrease) in Current Liabilities		
Accounts Payable	(40,735)	40,735
	<hr/>	<hr/>
Total Adjustments	(16,492)	64,968
	<hr/>	<hr/>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	\$ (37,260)	\$ 44,495
	<hr/>	<hr/>

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET  
JUNE 30, 2007

		CEMETERY	LIQUOR LAW ENFORCEMENT	IMPROVEMENT REVOLVING		
		FUND	FUND	FUND	TOTAL	
<u>ASSETS</u>						
Cash		\$ 3,118	\$ 342	\$ 54,059	\$	57,519
TOTAL ASSETS		\$ 3,118	\$ 342	\$ 54,059	\$	57,519
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities		\$ 0	\$ 0	\$ 0	\$	0
Fund Balances						
Reserved for:						
Liquor Law Enforcement		0	342	0		342
Unreserved:						
Designated for:						
Cemetery		3,118	0	0		3,118
Public Improvements		0	0	54,059		54,059
TOTAL FUND BALANCES		3,118	342	54,059		57,519
TOTAL LIABILITIES AND FUND BALANCES		\$ 3,118	\$ 342	\$ 54,059	\$	57,519

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2007

	CEMETERY FUND	LIQUOR LAW ENFORCEMENT FUND	IMPROVEMENT REVOLVING FUND	TOTAL
<u>REVENUES</u>				
State Grants	\$ 0	\$ 577	\$ 0	\$ 577
Charges for Services	2,575	0	0	2,575
Interest and Rents	4	0	1,766	1,770
Total Revenues	2,579	577	1,766	4,922
<u>EXPENDITURES</u>				
Public Safety	0	518	0	518
Excess (Deficiency) of Revenues Over Expenditures	2,579	59	1,766	4,404
<u>FUND BALANCES</u> - Beginning of Year	539	283	52,293	53,115
<u>FUND BALANCES</u> - End of Year	\$ 3,118	\$ 342	\$ 54,059	\$ 57,519

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

CEMETERY FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$ 3,118	\$ 539
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Unreserved		
Designated for Cemetery	3,118	539
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,118	\$ 539

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

CEMETERY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2007

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006

	<u>2007</u>		<u>2006</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Charges for Services			
Sales of Cemetery Lots	\$ 200	\$ 2,575	\$ 0
Interest and Rents			
Interest Earnings	10	4	5
	<hr/>	<hr/>	<hr/>
Total Revenues	210	2,579	5
	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES</u>			
General Government			
Cemetery			
Other Services and Charges			
Contracted Services	1,000	0	0
Capital Outlay	1,000	0	0
	<hr/>	<hr/>	<hr/>
Total Expenditures	2,000	0	0
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues Over Expenditures	(1,790)	2,579	5
<u>FUND BALANCE</u> - Beginning of Year	5,000	539	534
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 3,210	\$ 3,118	\$ 539
	<hr/>	<hr/>	<hr/>



SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

LIQUOR LAW ENFORCEMENT FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$ 342	\$ 283
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Reserved for Liquor Law Enforcement	342	283
TOTAL LIABILITIES AND FUND BALANCE	\$ 342	\$ 283

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

LIQUOR LAW ENFORCEMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2007

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006

	<u>2007</u>		<u>2006</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
State Grants			
Liquor Licenses	\$ 577	\$ 577	\$ 578
Interest and Rents			
Interest Earnings	5	0	2
	<hr/>	<hr/>	<hr/>
Total Revenues	582	577	580
	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES</u>			
Public Safety			
Protective Inspection			
Personal Services			
Salaries and Wages	560	467	560
Supplies			
Office Supplies	40	51	0
	<hr/>	<hr/>	<hr/>
Total Expenditures	600	518	560
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues			
Over Expenditures	(18)	59	20
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u> - Beginning of Year	140	283	263
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 122	\$ 342	\$ 283
	<hr/>	<hr/>	<hr/>

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

IMPROVEMENT REVOLVING FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash	\$ 54,059	\$ 52,293
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Unreserved		
Designated for Public Improvements	54,059	52,293
TOTAL LIABILITIES AND FUND BALANCE	\$ 54,059	\$ 52,293

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

IMPROVEMENT REVOLVING FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2007  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2006

	<u>2007</u>		<u>2006</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Interest and Rents			
Interest Earnings	\$ 0	\$ 1,766	\$ 156
<u>EXPENDITURES</u>			
Capital Outlay	<u>30,000</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(30,000)	1,766	156
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)			
General Fund	<u>10,000</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(20,000)	1,766	156
<u>FUND BALANCE</u> - Beginning of Year	<u>20,000</u>	<u>52,293</u>	<u>52,137</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$ 54,059</u>	<u>\$ 52,293</u>

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED JUNE 30, 2007

	BALANCE			BALANCE	
	7/1/2006	ADDITIONS	DEDUCTIONS	6/30/2007	
<hr/>					
<u>ASSETS</u>					
Cash	\$ 2	\$ 2,218,944	\$ 2,218,946	\$	0
<hr/>					
<u>LIABILITIES</u>					
Due to Other Organizations and Individuals	\$ 0	\$ 16,244	\$ 16,244	\$	0
Due to Other Funds	2	180,934	180,936		0
Due to Other Governments	0	2,021,766	2,021,766		0
<hr/>					
Total Liabilities	\$ 2	\$ 2,218,944	\$ 2,218,946	\$	0
<hr/>					

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN  
STATEMENT OF 2006 TAX ROLL  
JUNE 30, 2007

TAXES ASSESSED

County	\$	705,462	
County - State Education Tax		408,753	
Township			
Operating		49,635	
Roads		65,140	
Fire Protection		31,082	
Lake Improvement		26,625	
Delinquent Sewer - Service Billings		5,546	
Schools			
Cadillac Area Public Schools		590,920	
Mesick Consolidated Schools		66,109	
Intermediate School			
Wexford-Missaukee		<u>404,792</u>	\$ 2,354,064

TAXES COLLECTED

County	651,779	
County - State Education Tax	385,510	
Township		
Operating	45,137	
Roads	59,237	
Fire Protection	28,266	
Lake Improvement	25,450	
Delinquent Sewer - Service Billings	2,152	
Schools		
Cadillac Area Public Schools	548,256	
Mesick Consolidated Schools	59,393	
Intermediate School		
Wexford-Missaukee	<u>367,904</u>	<u>2,173,084</u>

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN  
STATEMENT OF 2006 TAX ROLL  
JUNE 30, 2007

TAXES RETURNED DELINQUENT

County	53,683	
County - State Education Tax	23,243	
Township		
Operating	4,498	
Roads	5,903	
Fire Protection	2,816	
Lake Improvement	1,175	
Delinquent Sewer - Service Billings	3,394	
Schools		
Cadillac Area Public Schools	42,664	
Mesick Consolidated Schools	6,716	
Intermediate School		
Wexford-Missaukee	<u>36,888</u>	<u>\$ 180,980</u>

SELMA TOWNSHIP, WEXFORD COUNTY  
CADILLAC, MICHIGAN

STATEMENT OF 2006 INDUSTRIAL FACILITIES TAX ROLL  
JUNE 30, 2007

TAXES ASSESSED

County		\$	692	
Township			143	
Cadillac Area Public Schools				
Local Share	\$	200		
State Share		1,974	2,174	
Wexford-Missaukee Intermediate School				
Local Share		230		
State Share		167	397	\$ 3,406

TAXES COLLECTED

County			692	
Township			143	
Local Share		200		
State Share		1,974	2,174	
Wexford-Missaukee Intermediate School				
Local Share		230		
State Share		167	397	3,406

TAXES RETURNED DELINQUENT

County			0	
Township			0	
Cadillac Area Public Schools				
Local Share		0		
State Share		0	0	
Wexford-Missaukee Intermediate School				
Local Share		0		
State Share		0	0	\$ 0



# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

October 2, 2007

### LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board  
Selma Township  
Wexford County  
Cadillac, Michigan

During the course of our audit of the basic financial statements of Selma Township for the year ended June 30, 2007, we noted the following:

#### Budgeting

The expenditures for certain activities in the General Fund exceeded appropriated amounts. The Township should amend its budgets to allow for these expenditures.

The Township board is responsible for amending the budget during the year to allow for expenditures in excess of original appropriations, or to reduce appropriations if it appears the actual expenditures will be much less than originally appropriated.

Pertaining to the Township's compliance with Public Act 621 of 1978, the budget document that the Township adopts should include the following financial information:

The actual results from the prior year.

An estimate of the current year results.

The proposed budget for the upcoming year.

Amounts for contingencies, if appropriate.

The amount of fund balance accumulated through the end of the current year, and the amount expected at the end of the upcoming year, after applying the budgeted revenues and expenditures.

#### Due (To) From Other Funds

Currently at June 30, 2007, the records of the Township reflect amounts due from and due to balances that are from prior years, which should be paid off. We are available to assist if needed.

### Telecommunications Right of Way Revenues

The state restricts the use of these monies to specific items, such as road construction and street lighting. As a result, \$6,092 of the General Fund balance is reserved. We recommend that this money and all future revenues be put in the Road Fund for use on future construction projects.

### Deficit Fund Balance CFP/32 Road

At June 30, 2007, the CFP/32 Road Improvement Fund had a deficit fund balance of \$26. The Michigan Department of Treasury requires the Township to file a deficit reduction plan as soon as possible. We are available to assist or provide additional information if needed. The fund currently has deferred revenue in the amount of \$15,417 due to the "60 Day Rule." Any remaining deficit after all payments have been made will be covered by the Township's General Fund.

### Credit Card Support

During our audit procedures, it was noted that support for credit card charges is not consistently attached to the payment vouchers of credit card statements. This practice could result in the payment of unsupported credit card charges and thereby unauthorized expenses. We recommend that the procedures related to credit card charges be amended to require supporting documentation for all charges or written documentation stating the business purpose of charges if it is not practical to obtain a receipt.

### Sweep Account

The sweep account that the township set up was a good idea as interest earnings have increased significantly since then. Also, as interest rates continue to rise, maximizing the amount of township funds that earn interest will continue to benefit the township in the form of higher interest income. Now that interest income is higher, the Township may want to review its policy regarding the allocation of interest income.

We would like to thank the board for its continued confidence in our firm and to thank the township clerk and treasurer for their cooperation.

If you have any questions relative to the above items or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

# *Baird, Cotter and Bishop, P.C.*

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October 2, 2007

To the Township Board  
Selma Township  
Wexford County  
Cadillac, Michigan

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Selma Township as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Selma Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However we identified certain deficiencies in internal control that we consider to be significant deficiencies.

### 1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*